

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
P.O. Box 2415
Washington, DC 20013-2415

Notice FC-4

For: State and County Offices, including Ag Credit Teams

Disaster Set-Aside (DSA) Program

Approved by: Deputy Administrator, Farm Credit Program

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1 Overview

A

Background

FmHA Instruction 1951-T describes the DSA Program as a permanent servicing tool to be used in cases of natural disasters. This instruction covers disasters that occurred in 1994 and after.

B

Purpose

The purpose of this notice is to provide additional guidance and clarify FmHA Instruction 1951-T.

C

Contact

If there are questions regarding this notice:

- County Offices shall contact the State Office
- State Offices shall contact the Area Office.

D

Filing Instructions

Where FmHA Instructions are available, file a copy of this notice in front of FmHA Instruction 1951-T.

Notes: Unless directed otherwise, file farm credit notices in front of the applicable instruction.

County Offices needing FmHA Instructions shall contact the FSA State Office, who will order these instructions from the KC Warehouse.

Disposal

October 1, 1996

Distribution

State Offices; State Offices relay to County Offices and Ag Credit Teams

2 Notification and Tracking Responsibilities

A

Notifying Borrowers

The Ag Credit servicing office shall notify existing borrowers about the DSA Program within 30 calendar days from the date of receiving the disaster designation from the State Office

Since FmHA Instruction 1951-T covers disasters that occurred in 1994 and 1995 that were designated before issuance of the final rule on September 8, 1995, Ag Credit servicing offices shall immediately notify those borrowers who operated a farm in a designated county or contiguous county during that time. Send 1 letter to each borrower, even if more than 1 disaster occurred during that time. These borrowers will have 8 months from the date of the 1951-T-1 letter to apply for DSA.

B

Information Needed From Borrowers

Borrowers applying for DSA must provide the information required in Section 1951.953(c). Most borrowers will not have this information at the time the disaster occurred and will have to wait until close to the end of their production and marketing period to apply.

If the borrower's information does not reflect the borrower's distress that was caused by the disaster:

- a financial statement may be needed to show, for example, expenses that were not paid
- it may be necessary to obtain FmHA 431-2, Farm and Home Plan, for the next production and marketing period to show any increased expenses caused by the disaster; such as, purchase of feed, replenish livestock herd, etc.
- an analysis should be conducted with the borrower at the same time the DSA request is considered.

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2 Notification and Tracking Responsibilities, *Continued*

C

Application Tracking

Record and track DSA applications on either of the following:

- FmHA 1905-4, Application Tracking and Processing Card - Individual
- another similar-type tracking system. At a minimum, the following information must be recorded:
 - borrower's name
 - date the request was received
 - eligibility determination date
 - eligibility determination; that is, approved, rejected, or withdrawn

Note: If rejected, include a brief reason for the rejection.

- date FmHA Instruction 1951-T, Exhibit A, was signed by the borrower
 - disaster designation code
 - total amount set aside.
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D

AGCREDIT Tracking

Tracking in AGCREDIT will continue as normal. Borrowers tracked in AGCREDIT for 1951-S purposes who resolve their financial distress and delinquency with DSA, shall be "OTHERED" to "PAYCURR" and the following information included in supporting activities:

- date the borrower received DSA
 - annotate whether pending 1951-S servicing has ended or was withdrawn.
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3 Eligibility and Processing Requirements

A

Clarifying Loan Limitation Requirements

Section 1951.954(b)(4) is clarified to provide that the amount set aside shall be the amount that the borrower is unable to pay on the FSA debt from the production and marketing period in which the disaster occurred.

If FSA was paid the full installment, but other creditors or expenses were not paid, the amount set aside will be the lesser of the following, rounded up to the nearest whole installment:

- the amount owed other creditors, and the amount of expenses from the production and marketing period in which the disaster occurred and the borrower is unable to pay
 - the next FSA installment that would be set aside.
-

B

Eligibility Determination

The facts used to make the eligibility determination must be documented in the case file running record. This is important since other officials may be reviewing the case file for compliance purposes.

Particular attention should be given to documenting the facts used to support the requirements in Sections 1951.954(a)(5) and (b)(4), which:

- require that the borrower have insufficient income available to pay all expenses and debts as a direct result of the disaster
 - limit the set-aside amount.
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3 Eligibility and Processing Requirements, *Continued*

C

ADPS Processing

The ADPS transaction is still being developed, and it will not be available until after the first of the year. Until the ADPS transaction is available, continue to flag the borrower's account with "51-S".

D

Processing Payments

Offices shall:

- submit payments received from a borrower, whose account was flagged "51-S", on FmHA 451-2, Schedule of Remittance

Note: On these FmHA 451-2's, use miscellaneous collection code 21.

- indicate, under the name of the borrower, if the payment should or should not be processed for each identified loan.

Only payments made to loans that were not set aside can be processed. Payments of future installments to loans that have a set-aside amount pending will be held in suspense in the Finance Office until the DSA transaction can be processed.

4 Reporting Requirements

A

Cancelling Report

There are no reporting requirements established by the National Office. The report required in FmHA AN No. 3078 is no longer required.
